

Chapter 4. Recommendations to Elevate the Quality of Corridor Development

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Chapter 4

Recommendations to Elevate the Quality of Corridor Development

Introduction

This key section of the report presents options to the City and other stakeholders to improve the quality of development on the Corridor, create a more coherent setting, bolster its fiscal contributions, improve the Corridor along the dimensions of walkability and bikeability, help address retail gaps, catalyze the performance of commercial properties and ultimately produce a better mix of incomes.

The reader will find five categories of recommendations with a set of alternative options proposed within each category. More than that, the reader will find a detailed playbook for the City to pursue – a set of tactics that will position the Corridor for a level of economic and fiscal sustainability associated with most other sections of Gaithersburg. Finally, at the end of Chapter 4, the timing of the benefits and costs the City can expect is presented in matrix form. In compiling its recommendations, the study team drew heavily from its own market and demographic analyses as well as from the traffic study, which is offered as an Appendix.

One should consider a number of big picture ideas as one digests these recommendations. What is the benefit of adopting these options? Live, work, play – this has become the rallying cry for many communities. The goal is to induce people to engage their environment in many ways. These repeat engagements have a lock-in effect, with office space users less likely to relocate, residents more likely to spend money in the community, and entrepreneurs more likely to feel comfort being supported by a stable community. Of course, enhanced experiential quality also increases property values, which in turn produces fiscal benefits.

Another consideration relates to the manner in which progress is likely to take place over time. In the current market environment, serving residential needs along the Corridor will be easier than attracting commercial uses. This is true for a number of reasons, but the main one relates to location. Residents in and along the Corridor find themselves proximate to one of the deepest labor markets in the nation. This renders the Corridor relatively attractive for residential development.

However, present market conditions are less likely to support significant new commercial activity. That's because the demographics of the Corridor have changed in ways that have made it less attractive for upscale retailers, which as our retail gap analysis indicates is precisely what the Corridor lacks in large measure with certain rare exceptions.

Similarly, the Corridor is not presently positioned to attract a significant volume of high-end office space users. This is in part because of a lack of an amenity-rich environment in the Corridor – amenities such as fine dining and elegant places suitable for lunchtime meetings. But it is also true because there are a number of emerging areas that are presently more attractive for corporate office users, including locations with Gaithersburg itself.

Therefore, progress is most likely to be sequenced as follows. Higher quality residential development will be attracted first. The new development will be primarily oriented toward owner-occupied product, whether townhomes, single-family homes or perhaps stylish condominiums. Owner-occupancy is associated with higher incomes. These higher incomes would help attract higher quality eateries, retailers and service providers. These amenities will in turn help restore the Corridor's competitiveness in terms of attracting financially viable users of office space. All the while, the City will be making investments to improve the functioning, look, and feel of the Corridor, which will increase its appeal to all forms of users.

Yet another big picture consideration revolves around cost. The recommendations supplied by the study team are not without expense – expenses detailed in the next section of this report. While revitalizing the Corridor will be expensive, as we suggest below, not revitalizing it could be even more expensive. The costs of decline are numerous and take many forms.

Finally, the study team has focused on realistic outcomes and expectations. We understand that everything we recommend will require public involvement. They deserve to participate not only because of their status as citizens, but because there will be times when they will be asked to contribute financially to the betterment of the Corridor.

However, to stabilize and transform the Frederick Avenue Corridor will require decisive action – the type of decisiveness that often fails to accompany public charrette or similarly situated processes that are often big on fantasy and ambition but fall short in terms of the provision of well-defined recommendations and sufficient doses of economic reality. In other words, the City will have to lead this process whether or not policymakers deem the study team's recommendations to be useful or not.

Finally, the fiscal impacts associated with each option are presented in Chapter 5. Be mindful, there is an overarching message with respect to City investment. The study team is quite certain that the City should invite new upscale commercial and owner-occupied development into the Corridor, perhaps through subsidies/tax breaks. The City may want to consider deploying those resources to improve the character of the Corridor such that private commercial and owner-occupied residential investment flows naturally into the Corridor even in the absence of developer-specific incentives.

Recommendations, Discussion and Analysis

1. Adopt an Owner Occupancy Only Policy within the Corridor

The study team proposes the following public policies:

- Stop new construction of rental apartments and encourage conversion of existing multi-family rentals to larger condominium ownership units;
- Increase the number of Single Family Detached Homes and Townhomes or Stacked Townhomes in all potential infill areas in the Corridor. Multi-Family Condominium units should represent a secondary consideration;
- Invest in as many infill opportunities as possible focusing on the areas shown on the following exhibits, which show the City precisely where infill development opportunities either presently exist or could be created through action.

Members of the study team have indicated in multiple forums around the Washington metropolitan area that the region is being steadily saturated with multi-family rental product. This is an outgrowth of both the ongoing economic recovery, which continues to produce new employment opportunities and supports household formation, changes in tastes and preferences away from homeownership, and stricter lending standards that leave many households without the capacity to obtain a mortgage.

When such a trend is in place, it feels permanent. But no real estate trend proves permanent. Gradually, the preference for larger units and opportunities for ownership will re-emerge. The Corridor is positioned to embrace future trends now, not through saturation of multi-family rental product on a handful of remaining, developable sites, but through investments that make the Corridor more appealing for future private investments in owner-occupied product.

This initial category of recommendations should be viewed in tandem with the second, which indicates ways in which the Corridor could be made more appealing for current and future residents (including commercial tenants). Essentially, these two categories jointly offer ways in which to intercept the Corridor's current development trajectory.

Our analysis indicates that the Corridor is in danger of rental saturation, particularly in the form of smaller rental units that take studio and 1-bedroom form. The addition of this type of housing stock will reinforce demographic trends that were noted in this study's demographic analysis; namely that the Corridor is associated with declining levels of educational attainment and slow income growth. This in turn produces a demographic makeup that is not appealing to the types of high-end retailers and service amenities that business owners seek when they make their locational decisions.

With respect to stopping new construction of rental apartments, the City could accomplish this by simply not granting permit approval to these projects. There are other options, however, including 1) the introduction of impact fees that weigh heavily upon rental units (we worry that this would face legal challenge, however); and 2) requirements for larger rental units with an eye toward dissuading small unit development (we believe there is an unmet demand regionally for two- and three-bedroom family rental units at moderate price points).

We believe the simplest approach is to stop approving planned multi-family rental development in the Corridor. We make no judgments about other parts of the city, but think that the Corridor already possesses more than its fair share of rental product.

This is not the place to discuss the blessings of homeownership, though there are advantages, including more engaged stakeholders in a given community's progress. The goal here, however, is not so much to create more engaged stakeholders, but rather to produce a better mix of incomes in the Corridor; a mix that would be more conducive to attracting upscale retailers and restaurants – the type often associated with thriving commercial districts that are able to attract prestigious employers. Homeowners on average enjoy higher income than renters, particularly renters of smaller units.

Critics of this approach are likely to eagerly point out that developers may not be willing to construct new townhomes and single-family detached residences in the Corridor given its current state and level of amenities. It's not that the Corridor is in deep decline, but rather that there are many competing areas in the Washington metropolitan area associated with greater spending power on a per household basis, including in many areas of Montgomery County.

We agree. The Corridor must be packaged in a way that makes owner-occupied residential development a natural occurrence – one that does not require City subsidy. Our second category of recommendations supplies many ways in which this packaging could occur.

Exhibit 1 shows the Southern portion of the Corridor. Areas in red indicate potential general areas where infill could occur. The approximate area for potential development is 20.5 acres, which could accommodate anywhere from 80 small lot single family detached homes to 130 townhomes.

The study team has also identified a number of intersections as infill development opportunity areas. They are categorized below and rated on their capacity to handle additional traffic. The ratings are based on the results of the traffic study, which is offered as an Appendix to the overall report.

The following intersections can handle a significant volume of additional traffic. In other words, these areas are ripe for expanded infill development and are therefore to be designated priorities infill development areas.

- Entrance on Frederick Avenue (current Capital One Bank entrance)
- Entrance on North Frederick Avenue (current Sovereign Bank entrance)
- Montgomery Avenue @ North Frederick Avenue
- Central Avenue @ South Frederick Avenue
- Rosemont Avenue @ South Frederick Avenue
- Entrance on Frederick Avenue (current Good Shepherd Lutheran Church entrance near South Westland Drive)

The next set of intersections is associated with some limited capacity to handle additional traffic volume, and these areas therefore represent secondary priority infill development areas.

- Watkins Mill Road @ North Frederick Avenue (via IBM parking lot entrance)
- Entrance on Frederick Ave (current IBM parking lot entrance)
- Entrance on Frederick Avenue (current IBM/Lockheed parking lot entrance)
- Perry Parkway @ North Frederick Avenue (via Toys R Us entrance on Perry Pkwy.)
- Lakeforest Boulevard @ North Frederick Avenue
- Maryland Avenue @ North Frederick Avenue
- Chestnut Street @ North Frederick Avenue (via E. Diamond Avenue @ Chestnut Street)
- Desellum Avenue @ South Frederick Avenue

A final group of intersections is already problematic and absent BRT or some other mechanism, these areas should probably be viewed as non-priorities infill development areas.

- Christopher Avenue @ North Frederick Avenue (via IBM entrance directly south of Christopher Ave intersection)
- Montgomery Village Avenue @ North Frederick Avenue

Exhibit 1: Potential Infill Sites in the Southern Portion of the Corridor

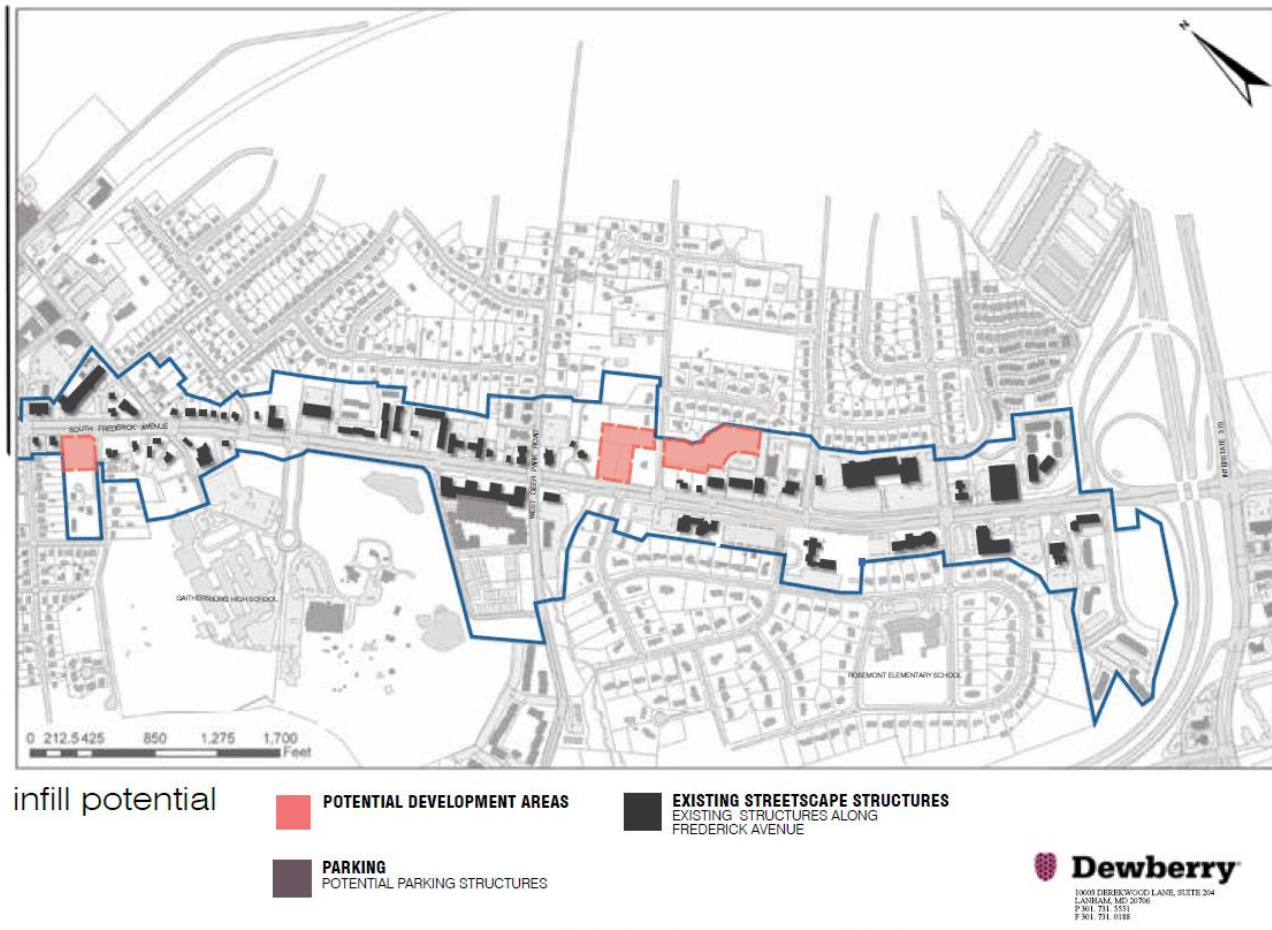


Exhibit 2 indicates areas potentially available as infill sites. It is very important that the reader understand that not all infill development need be residential. In the section of the Corridor depicted in Exhibit 2, infill commercial development would be more than welcome, particularly if it helped to upscale the Corridor.

Parenthetically, the Fairgrounds property represents a prime location for fulfilling the market need of single family detached and townhome owner-occupied housing in the Corridor. If the City decides that it wants to pursue development of the Fairgrounds, we encourage the City to take ownership and have complete control over what is developed there. Certain APFO restrictions will likely have to be relaxed and the Fairgrounds may have to be acquired through eminent domain.¹

¹ To be clear, we are not formally recommending the development of the Fairgrounds. We are merely indicating what should happen on the site if the City decides that it wants to move in that direction. A simple walk of the site makes it obvious that it would make for a lovely neighborhood.

With respect to the APFO as it relates to Fairgrounds redevelopment, we are specifically referring to the traffic component of the adequate public facilities ordinance. The school-based restriction should not be relaxed. The study team understands that the school-based APFO test may deter a significant level of new residential development and relaxing it would be counterproductive and not position the Corridor to attract a significant number of new households associated with higher than median incomes. Naturally, these constraints could theoretically be addressed through school expansions or new school construction. However, it is well beyond the City's decision making authority to add school capacity. The implication is that new household formation in the Corridor may transpire more slowly than might be optimal from the perspective of those that want to see rapid progress, improved demographics, and enhanced abilities to attract upscale retailers. Over-crowded schools are not consistent with the attraction of the types of families the Corridor requires to create a better mix of incomes, to attract higher quality amenities and ultimately more office space users who cherish those types of amenities.²

The study team generally does not recommend the use of eminent domain/condemnation of private property, even on a small scale within the Corridor. These policies are typically very expensive financially and often cause stakeholders to rebel against all manner of suggested changes in the community because of generated distrust. Almost immediately, the announcement of intended eminent domain proceedings creates a core group of stakeholders who swiftly organize to work against policymakers and who may choose to lead opposition to all recommendations, whether they pertain to the use of eminent domain or not. Perhaps most importantly, it is the study team's belief that the Corridor does not require eminent domain in order to be stabilized and improved.

The only reason we mention eminent domain in the context of the Fairgrounds is that there is no other property along the Corridor that would support this level of transformative economic development. Moreover, if the City chose to spend some of its political capital, the study team recommends development of single-family residences coupled with luxury townhomes on the site.

There would be a number of benefits to such an approach. The incomes of newcomers would support existing retail in the Corridor, including Lakeforest Mall. Perhaps more importantly, such a scale of owner-occupied development would likely create the critical mass necessary to attract higher-end restaurants and retailers, which in turn would produce a more fertile environment for commercial leasing.

² If the school-based APFO restriction remains a permanent or quasi-permanent restriction on the development, the City may ultimately choose to have the Fairgrounds redeveloped into a corporate campus. However, this vision is very long-term oriented, with sufficient market conditions unlikely to be in place for a decade or more.

A final thought is that unlike other proposed infill development sites, the Fairgrounds may not require significant tax breaks or other forms of inducement from the City. Support for infill development is nothing new in Gaithersburg. The City has found that these opportunities are difficult to market. We discuss the possible/probable need for subsidies/tax breaks below, but the Fairgrounds may not ultimately require these types of breaks for developers given its substantial acreage, attractive location and substantial market potential.

The Fairgrounds are owned and operated by the Montgomery County Agricultural Center, Inc., a private non-profit organization. These Fairgrounds were created in 1949 and the study team understands that there are important events hosted at these sites for much of the year. There is a natural historic attachment to the Fairgrounds in their current form and it is not the study team's place to recommend its development. We are in fact not recommending its development. We are merely pointing out that the Fairgrounds represent a significant opportunity to alter the economic and physical character of the Corridor's Mid-town. The scale of this opportunity is depicted in Exhibit 2 along with a variety of other infill opportunities in that part of the city. The development of a new neighborhood with some of the look and feel of the Kentlands or Crown would likely be an appealing outcome (again, only if the City decides that it is in its interest to develop the Fairgrounds and only if school capacity can support it).

The approximate area for potential development on the Fairgrounds property is 60 acres, which could accommodate anywhere from 250 small lot single family detached homes to 500 townhomes. Parking would be on lot with individual garages in the units with driveway or alley access of existing side streets or curb cuts that remain. The remaining acreage that has been shown as potential owner-occupied infill development is about 3 acres which could, by introducing structured parking, yield a potential of 120-210 units in a building with a height of 4-6 stories.

This scenario does not comply with the current approved concept plan and would represent a different approach to the development of the property. The current program on the preliminarily approved concept for the fairgrounds is 800,000 to 1,150,000 square feet of non-residential space and 1,100 to 1,350 dwelling units with at least 400-500 of those units being multi-family and building heights from 4 stories to 15 stories.

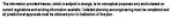
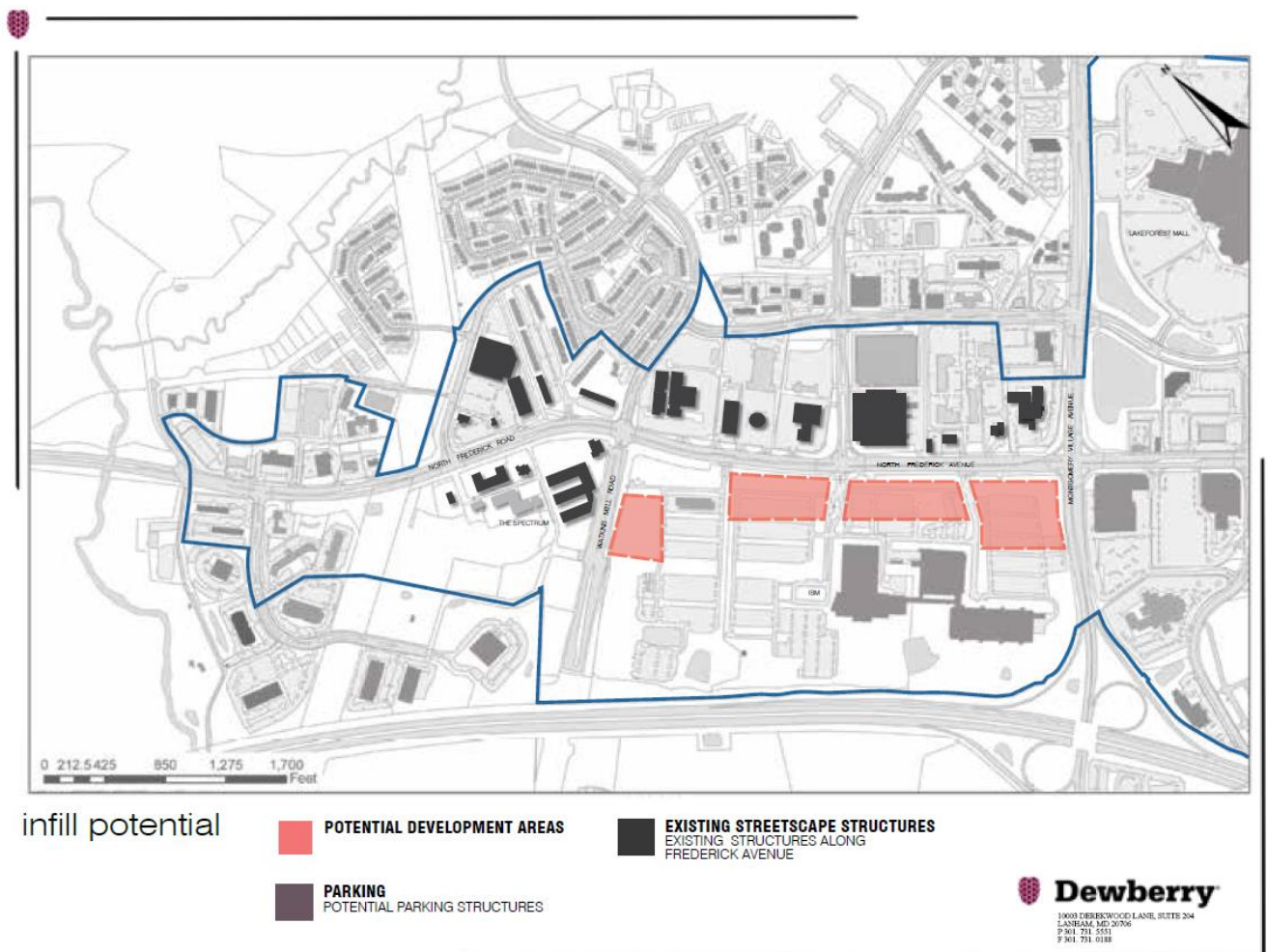


Exhibit 3 indicates the Northern portion of the Corridor. Areas in red indicate potential general areas where infill could occur. The supply of infill residential development in this area would both add to the Corridor's aggregate income and increase homeownership as well as help initiate a transition to a more pedestrian-oriented Corridor.

Under current circumstances, this infill strategy doesn't make sense. The only way this approach works is if employers abandon the site, raising the question of the highest and best use for this site. Otherwise, the City would have to pay enormous costs of acquisition and perhaps have to revoke currently operating long-term leases. That is too complicated and too expensive and is inconsistent with the study team's general view that eminent domain is to be avoided. A better outcome would be for a property owner to willingly participate in infill-oriented redevelopment. Our understanding is that there are presently some ongoing discussions in the City regarding impactful and positive redevelopment of at least two significant sites along the Corridor.

Exhibit 3: Potential Infill Sites in the Northern Portion of the Corridor



2. Beautify the Corridor Now!

For many years, master plans, studies, and advisors have discussed and encouraged the City to beautify the Corridor. The study team has been asked not to simply rehash these ideas in the form of recommendations. Rather, there seems to be a consensus around the notion that the Corridor needs to be substantially upgraded aesthetically. Correspondingly, the study team has spent much of its intellectual capacity trying to determine which ideas are most impactful, how much they cost to implement, and how they can be financed.³

Zoning

The Corridor is associated with multiple Euclidean zones and “floating” zones, such as MXD and CD zones. The goal is to provide guidance to the City regarding what future developers and builders of desired commercial and residential products are likely to embrace. Form-Based Codes place emphasis on regulating the form and scale of buildings and their placement along and within public spaces. Depending on the quality of the code and its diagrams, form-based codes can be difficult to interpret and administer. As an alternative, design standards or guidelines are often attached to existing zones and are used to present clear and concise technical requirements, policies, and processes to enable design professionals to prepare plans and reports necessary for development of both public and private projects within the city.

Accordingly, the study team recommends a Design Guidelines and Standards approach or a Design Manual. The adoption of such tactics would serve to clarify and supplement requirements in the zoning code and other regulations within the city without the need for introducing additional zones.

³ Specifically, the study team expresses its support for the following already adopted public policies.

- Create a secondary street system to permit access to buildings from streets other than directly off Frederick Avenue. Alternate street systems will take local traffic off Route 355, reduce congestion and reduce the number of conflicts with pedestrians.
- Create inter-parcel connections between parking lots behind buildings to allow for autos to move between buildings and uses without accessing Frederick Avenue.
- Combine and/or eliminate some of the entrances on Frederick Avenue to reduce curb cuts. This will reduce auto/pedestrian/bike conflicts.
- Provide bike lanes by removing parking spaces facing and directly adjacent to Frederick Avenue. This could potentially occur through the introduction of shared parking, the provision of structured parking or simple reductions of required on-site parking.
- Officially designate the Corridor and develop cross sections to handle individual situations along the Corridor.
- Increase areas for bikeways through access easements along property frontages.
- Plan for a bikeway connection through the Fairgrounds and through Bohrer Park.

The City of Portland, Maine adopted a Design Manual in May 2010 that serves as an example of the types of standards and guidelines that could be implemented.⁴ In their manual, they have established design standards and guidelines for developers operating in the context of multiple zones and/or of various development types. The manual is intended to achieve development that contributes to and enhances the goals, policies and vision for specific districts of Portland, and ensures design that is responsive to the overall context of its established neighborhood.

We feel that this model would be appropriate for the Frederick Avenue Corridor. It is not our place to recommend specifics and the City is blessed with extremely sophisticated staff members who can do this work. It is not that the current zoning regime found in the Corridor is unsupportive of impactful development and redevelopment but it may need to become even more prescriptive to support the level of consistency in design and development that the Corridor needs to be more comprehensibly branded. That said, the study team does not believe that the Corridor needs a new zone, simply that it may prove beneficial to continue to refine the CD zone zoning language over the course of time and make it the preeminent zone in the Corridor. The study team therefore recommends that non-CD zone parcels rezone to CD. By applying the CD zone uniformly, the Corridor is better positioned to impose the refinements presented in Categories 1 and 2.

Therefore, the new Design Manual would detail specific standards and guidelines for the Corridor, which should be adhered to even if a property does not rezone. There also needs to be an accompanying Design Guideline document that would be used by property owners and developers to understand expectations for Corridor revitalization. This document, which could be presented as an appendix to the standards and guidelines attached to individual zones, would serve to provide the public with a clearer presentation of important design issues for the Corridor.

Importantly, this could also be a way for the City to more aggressively brand the commercial corridor. As we discuss above, there are significant possibilities for infill development, including for commercial infill development. The establishment of consistent design guidelines could help the Corridor begin to divorce itself from the current mishmash of architectural styles.

Undergrounding of Utilities and Street Trees

The undergrounding of utilities has been considered for Frederick Avenue for many years. This in and of itself presents aesthetic and functional benefits and would undoubtedly have already been done if not for the cost.

One of the other advantages of undergrounding utilities is the newly created capacity to plant street trees. Many jurisdictions have adopted tree canopy requirements to increase the amount of shade within the community. A tree canopy would be beneficial to Frederick Avenue Corridor

⁴ See www.portlandmaine.gov/planning/designmanualadopted0511.pdf.

by introducing tall shade trees along the Avenue and additional shading in parking lots. These trees could help provide cooling to the large paved areas that exist in the Corridor, resulting in the reduction of the heat island effect associated with paved areas. However, along most of Frederick Avenue, there are overhead power lines that restrict the city's ability to plant large shade trees such as London Plane Trees, Honeylocusts or Oaks. There are of course other issues, including sidewalk placement conflicts, utility conflicts and funding.

There are approximately 23,370 feet of frontage along the northbound and southbound traffic lanes of Frederick Avenue. Using an average tree planting separation of 42 feet, there is potential to plant 556 trees at an aggregate cost of \$200,000. In order to provide space for trees, the above-ground utilities would need to be placed underground along the entire Corridor at an approximate cost of \$8 million dollars and sidewalk improvements would need to be made at an approximate cost of \$1.2 million dollars for concrete-only improvements.

Traffic

It is important that revitalization of the Frederick Avenue Corridor involve not only attention to vehicular traffic flow, but also to the experiences of mass transit users, bicyclists and pedestrians. Current patterns favor the driver. The Corridor is linear with little consideration for alternate ways to access buildings and parking areas. This section is largely devoted to improving the experience of other modes.

Automobile

The history of building on the Corridor has been characterized by organic development of individual parcels generating a variety of often unrelated uses in linear fashion. Uses within the parcels are typically individual uses of commercial, office, or residential nature with most commercial and office uses sitting in isolation from one another and from adjacent residential uses. Although new developments such as the Spectrum and Fairgrounds are being developed and/or planned as mixed-use, they do not resolve the issues of automobile traffic being routed predominantly onto Frederick Avenue.

These recommendations will open the door to improved pedestrian and bike experiences. It will also help support more efficient mass transit with those vehicles less likely to be interrupted by frequent right turns into Corridor establishment parking lots made by other vehicles.

Pedestrian/Bicyclist Safety and Accessibility

Here's the issue – if the Corridor were designed from scratch today, the final product would bear little resemblance to what currently exists. Because the Corridor is so intensely built up, with

only about 100 developable acres presently available, mimicking modern design standards by simply supporting new development wouldn't be enough to create a contemporary Corridor.

The historical development of the Corridor can be characterized as individual parcels developing with a variety of uses linearly along the Corridor, each requiring access directly to Frederick Avenue with no/little interconnections between parcels either physically or in terms of synergistic utilization. Uses within the parcels are typically individual uses, with most commercial and office uses existing in isolation from one another or to residential uses. This is the type of organic development that has led planners and policymakers to swing to mixed-use development, with the goal to reduce physical and other forms of isolation.

The City should mimic modern design standards and pay as much homage as possible to contemporary tastes and preferences. Among those preferences is the opportunity to walk and bike safely. As is known to all, the Frederick Avenue Corridor is neither bicyclist nor pedestrian friendly. Sidewalks are predominantly adjacent to the Avenue with no safety zones being provided. Telephone poles, signage, and other vertical elements disrupt the flow of pedestrians and make walking difficult. The study team estimates that there are approximately 19,250 lineal feet of sidewalk improvements costing \$1.16 million (\$1,155,000) that need to be made immediately to render the Corridor more pedestrian friendly.

There are also simply too many curb cuts to allow bicyclists to continue on their way relatively unimpeded. In order for pedestrians to feel safe as they move along a busy traffic corridor there needs to be an area that can be considered a safety zone adjacent to the curb. This safety zone, which should be approximately 6 feet wide, serves as a buffer zone for pedestrians and is the area in which street trees, lighting, fire hydrants, and signage would be located. The pedestrian sidewalk, or pedestrian zone, should also be at least 6 feet wide and is adjacent to the safety zone. This would allow for safe transit for at least 2 pedestrians to walk side by side. In the central core district, it would be preferable to have wider sidewalks of up to 12 feet to allow for more pedestrians to walk within the pedestrian zone.

Another way to reduce chaos and conflict is to provide for a secondary street system. This mechanism represents another way to limit the continuous interference of pedestrians by automobiles. The following exhibits indicate potential routing for a secondary street system, potential individual parking lot inter-parcel connections, and potential curb cut removals as a result of creating alternative connections on site. The provision of the secondary roadways, where possible, will have a positive impact on traffic conditions along The Corridor. These secondary streets would be standard local road sections offering 50 to 60 feet right-of-ways (ROW) and would have sidewalks, street trees, and lighting along with on-street bike lanes and street parking. Clearly the longer the secondary roadway segment is, the bigger the benefit to Frederick Road. As these roadways are built as part of future infill projects, they will help to provide secondary access to existing properties, create additional parking, and alternate access to properties to allow for reductions of pedestrian and auto conflicts along the Corridor. Inter-

parcel connections of properties in the corridor include both secondary road connections and smaller, but important connections of parking lots and service roads between adjacent properties. These connections would consist of 20-foot wide connections with curbs and gutters of varying lengths depending on conditions.

The fiscal impacts of creating at least some of this system are manageable for a city of Gaithersburg's size – a city with an adopted FY2013 budget exceeding \$51.5 million. As reflected in Exhibit 4, the Southern portion is associated with 2,660 lineal feet of potential new inter-parcel connections and the potential closure of 13 curb cuts that the study team estimates would cost the City approximately \$1.5 million. The specific inter-parcel connectors are between Peony Drive and East Deer Park Drive and between Central Avenue and North Westland Drive. There is a considerable amount of information on this map, but the point is that potentially removable curb cuts are clearly presented. Many of them are clustered near one another, which implies dramatic improvements in bike-ability and walkability along those stretches. These investments are of a scale that would allow for them to be financed by use of the General Fund on a pay-go basis. This is precisely what we recommend.

However, there is another mechanism available. Simply recommending that the City invest in sidewalks, lighting, eliminating curb cuts and a secondary road network has a distinctive “build it and they will come” feeling. As indicated earlier, the City has embraced the possibility of infill development along the Corridor and has often found itself to be disappointed by a lack of private investor response. To protect the City from at least some of the possibility of spending money that fails to generate a return, the study team recommends that the provision of the amenities listed above be required as part of permit approval. Some will contend that this will actually have the unintended consequence of deterring investment in the Corridor. We disagree. The types of developers that the City wants to be engaged with the Corridor are precisely the ones who are willing to invest in these types of quality of life amenities. In fact, their visions require the existence of an environment that is appealing to drivers, pedestrians and bicyclists alike.

Additionally, in part to minimize negative fiscal impact in the near-term, the study team recommends prioritization of elements discussed under this beautification recommendation that contribute to public safety. There are goals of beautification beyond economic development and arguably the most important is public safety. This means that this initial focus should be on allowing for inter-parcel connections, elimination of curb cuts, provision of a safety buffer, and better lighting. These improvements will help improve the Corridor's functioning and its image. The study team cannot promise that this will translate immediately into additional private participation, but there is reason to believe that this form of investment will accelerate the purchase of new owner-occupied housing stock, which represents the expected first wave of Corridor improvement.

Exhibit 4: Potential Locations for Inter-parcel Connectors and Secondary Road in the Southern Portion of the Corridor

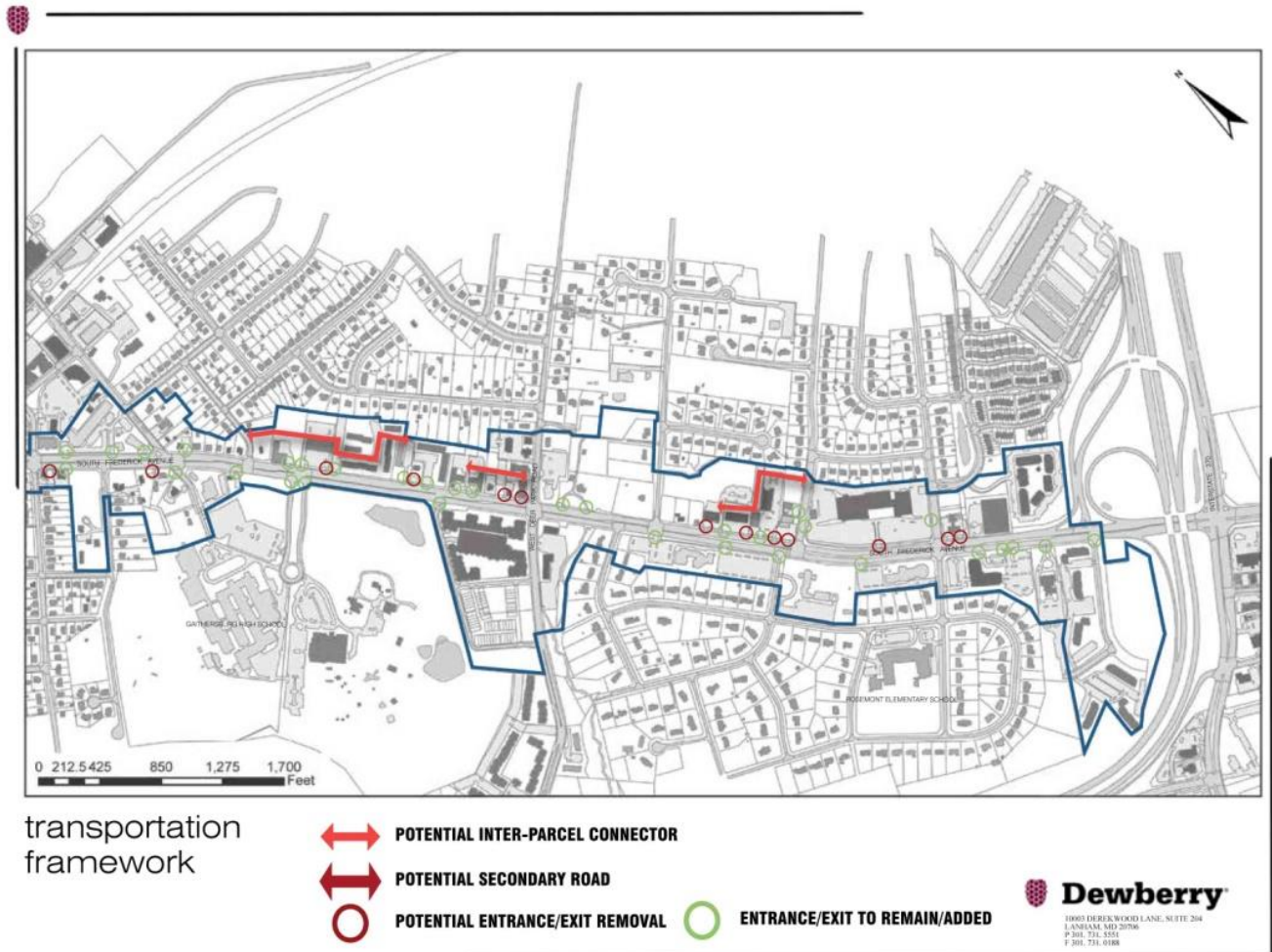


Exhibit 5 details the study team's ideas regarding the Central portion of the Corridor. These ideas embody similar principles, but they are presented on an even grander scale. The Central portion is associated with a potential secondary road system that would traverse the Fairgrounds as has already been proposed in the approved concept plan sketch on file with the City. This secondary road system would include a future connection to Odenhal Ave., travel behind the cemetery and then a connection to Dalamar Street. There would be a lineal footage totaling approximately 4,010 feet at an approximate cost of \$3.2 million. The exhibit also indicates 4,680 lineal feet of inter-parcel connections and 29 curb cut closures collectively costing \$2.7 million.

The secondary roads are located between Perry Parkway and Chestnut Street with a connection through to Odendhal Avenue. Also displayed is the creation of a new secondary road by improving the existing Central Ave connection between Montgomery Avenue and Maryland Avenue. The inter-parcel connectors in Exhibit 5 are as follows:

- Between Lakeforest Boulevard and properties along Route 355 towards Montgomery Village Avenue.
- Between Lakeforest Boulevard and Odendhal Avenue.
- Between Perry Parkway and Dalamar Street.
- Between Odendhal Avenue and Montgomery Avenue including connections to Whetstone Drive.
- Between Maryland Avenue and Walker Avenue.
- Between Chestnut Street and East Diamond Avenue.

Yes, the numbers are adding up. These costs are not only justifiable, but also within the tolerances of the General Fund. The 7.3 percent increase in the City of Gaithersburg's FY2013 budget translates into about \$3.8 million. We view the Corridor as the City's economic Achilles' heel. Fast forward twenty years and the Corridor could become more problematic. Today it is merely stagnant. The costs of actual decline are massive and would impact the City's budget in innumerable ways, including through lost property tax revenues, enhanced demand for public safety expenditures, employer disengagement, diminished small business activity and potential property abandonment. The potential future cost of decay should be considered as policymakers debate the costs discussed both above and below.

Exhibit 5: Potential Locations for Inter-parcel Connectors and Secondary Road in the Central Portion of the Corridor

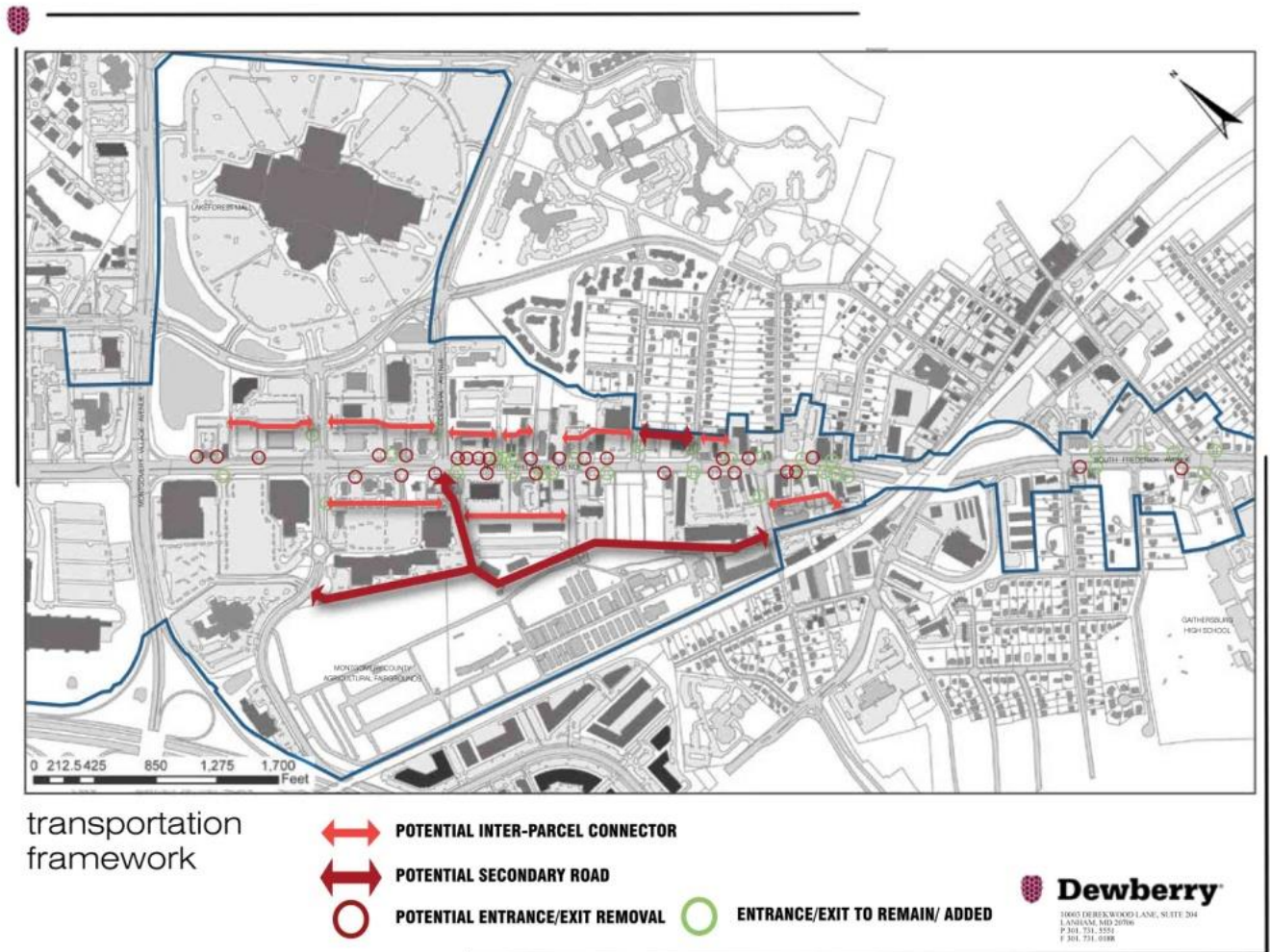
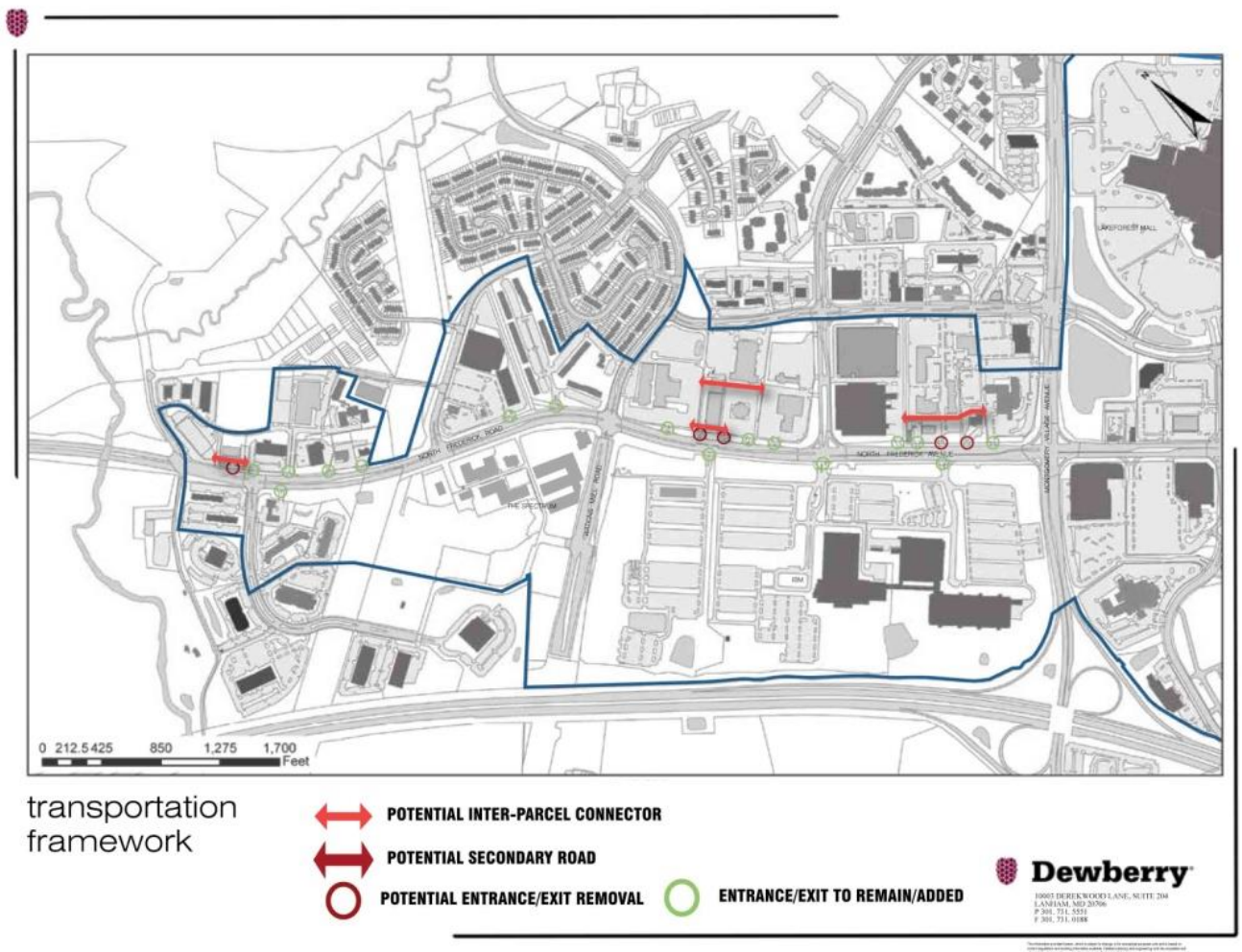


Exhibit 6 helps to complete this aspect of the policy discussion. The Northern portion is associated with 1,660 lineal feet of inter-parcel connections and 5 curb cut closures at a cost of approximately \$890,000. The specific inter-parcel connectors are as follows:

- Between Game Preserve Road and Ararat Drive.
- Between Watkins Mill Road and Christopher Avenue.
- Between Christopher Avenue and Montgomery Village Avenue.

Exhibit 6: Potential Locations for Inter-parcel Connectors and Secondary Road in the Northern Portion of the Corridor



The improvements detailed in Exhibits 4, 5 and 6 are jointly associated with approximately \$9.4 million in expenditures. We view that as a small price to pay for the potential benefits. Unfortunately, this is not where the expenditures end as it relates to creating inter-parcel connections and a potential secondary road system. Easements must be acquired to situate the secondary road system. Property owners must be induced/forced into accepting inter-parcel

connections. Agreements need to be signed regarding shared parking as properties are connected and cross-parking becomes unavoidable.

We understand that the City has attempted some of these things in the past and has received pushback. Unfortunately, that experience implies the likely need of economic development inducements, perhaps in the form of property tax breaks. It is difficult to know what it will take, but we suspect that the cost of inducing property owners to participate will be in the range of \$250,000 per year for the next 20 years or \$5 million in the aggregate measured in 2013 dollars. These breaks would be structured as credits that would become available if existing or future property owners participated in the program to allow for inter-parcel connections and the creation of secondary road networks. There could also be some “carrots” offered during the process of implementation, with participating property owners enjoying priority as new street lamps, safety zones and street trees are integrated into the environment.

The study team proposes the following public policies:

- Offer tax credits equal to one-half of an annual tax bill for three years for property owners who grant easements or other required value in order for the development of inter-parcel connections and secondary road systems;
- Cap the annual value of all property tax credits at \$250,000 annum.

These processes will also implicate internal staff capacity, attorneys, outside experts, and open political processes. Undoubtedly, there will be property owners who feel trampled upon as their curb cuts are removed and as access is granted to users/customers associated with adjacent/proximate parcels. But this is all necessary to improve the pedestrian and bicyclist experience. Moreover, the exhibits below indicate that even all of this expense and effort will not produce an ideal set of circumstances. There will still be some level of conflict between drivers, bikers and pedestrians. That said, the degree of conflict will be reduced and the effect will be to create a more contemporary Corridor – one that at least looks a bit more like what would occur if the Corridor were developed from scratch.

It is worth noting that for many years the City has been contemplating costs far larger than those detailed above. A few sections of bike trail have already been developed along the Corridor as properties like the Spectrum have arrived. Additionally, a more extensive bike trail has been part of the City’s development strategy for years but has been slow to develop. An initial analysis indicates that approximately 402,885 square feet or 9.25 acres of private land (including land on the Fairgrounds site) would need to be acquired for right-of-way expansion or easements in order to develop the entire bike trail network indicated on the following exhibits. This would come at an approximate cost of \$9.8 million (\$9,807,481) along with the costs of construction of the trail. We do not think that this amount can be easily financed by the General Fund.

There are a number of alternative funding mechanisms discussed below, but we'll provide a preview here. Available alternatives include revenues garnered from impact fees, borrowing against General Fund revenues (historically not favored by City policymakers), or a special benefits district in which property owners along the Corridor pay an amount in addition to their annual City property tax. We believe that this final option makes a lot of sense, though of course City policymakers can expect a considerable level of resistance to this proposed framework.

Discussions have also occurred regarding the addition of bike lanes along Frederick Road. Presently it would be problematic to add bike lanes because of traffic loads, excessive curb cuts and auto access points to individual parcels. Exhibits 7, 8, and 9 below provide substantial detail regarding where it would be advantageous to situate a bike trail along a "greener" Corridor. Potential bike trails and the proposed green Corridor have been purposefully aligned by the study team.

As a final point, the maps are intended to simplify, not to confuse. One of the sources of potential confusion is whether the study team is proposing that the City use eminent domain to acquire land on which to situate various amenities, including elements of secondary street systems. We do not. If provision of this type of amenity is impossible without forced land acquisition, the City should look to situate the amenities discussed above elsewhere. Again, the proposed subsidies/tax breaks may induce some developers to participate when they otherwise would not.

Exhibit 7: Potential Open/Community Space in the Southern Portion of the Corridor

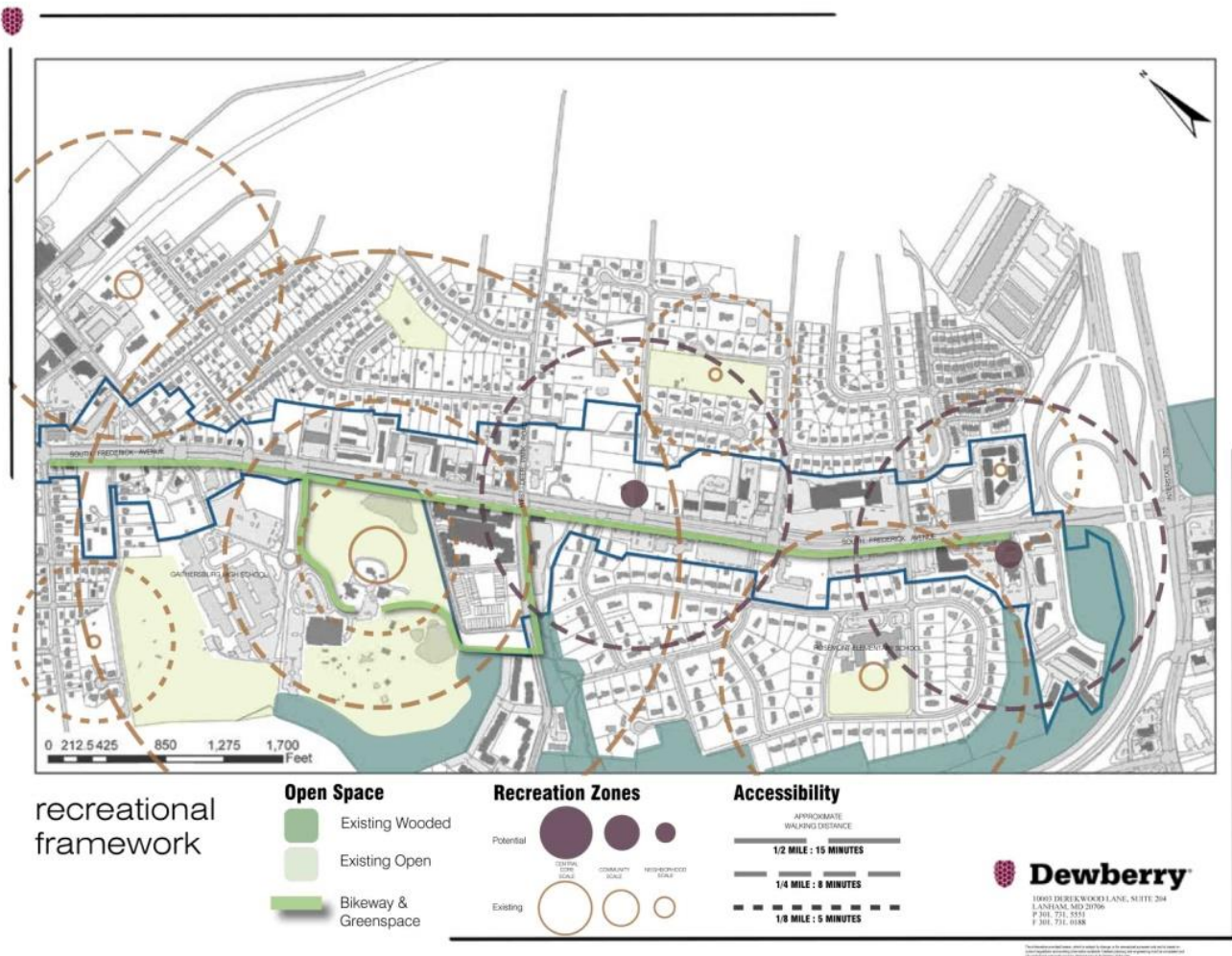


Exhibit 8: Potential Open/Community Space in the Central Portion of the Corridor

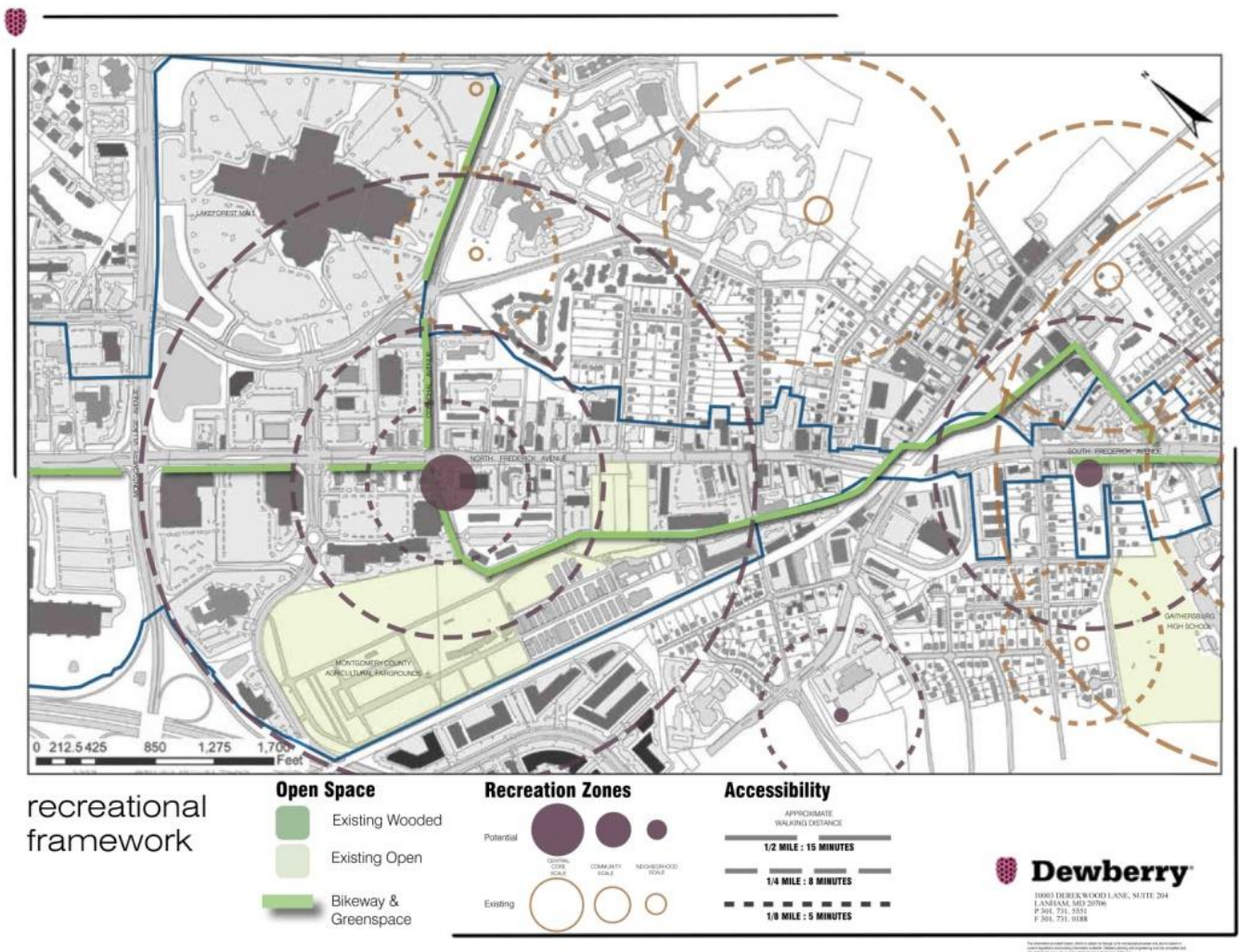
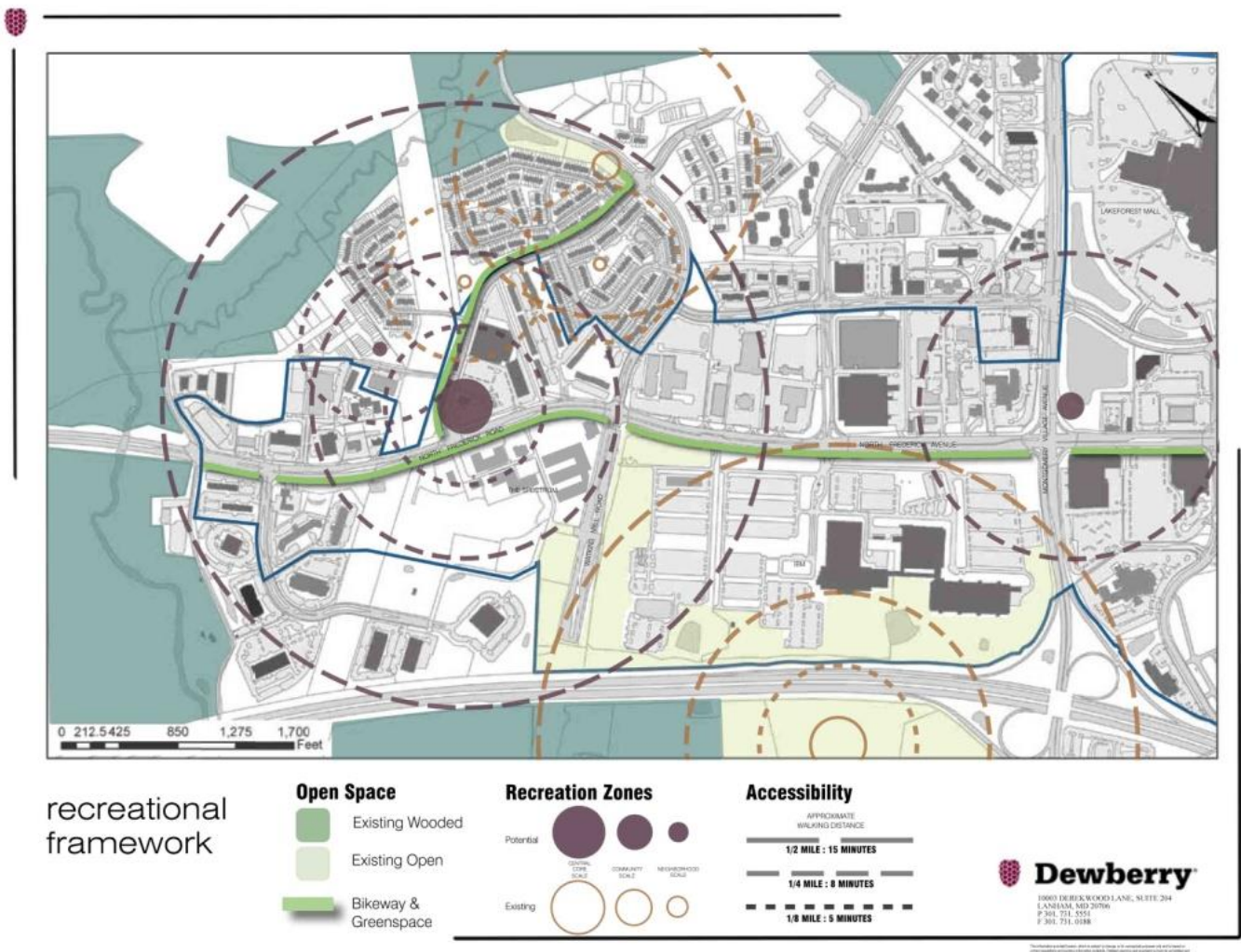


Exhibit 9: Potential Open/Community Space in the Northern Portion of the Corridor



A Recreational Companion - Open Spaces & Gathering Places

One of the major shortcomings of the Corridor (and a reflection of its development prior to modern planning practices) is the lack of substantial planned open spaces and gathering spaces. Spaces that are large enough for open play exist mostly in the Southern portion of the Corridor around Bohrer Park and Gaithersburg High School. These facilities meet the need for space to play sports activities for many residents in the south and are generally within a 10 minute walk for many. In addition, there is adequate parking provided for the large contingent of those coming by car. The Southern portion could still benefit from smaller community spaces for passive recreation, however, with the study team recommending the situating of such a space around the Central Avenue intersection and the creation of such a (passive) space on the Casey Barn property (See Exhibit 7).

There are currently no facilities for open play or organized sports along the Corridor within the Central and Northern portion. It is not clear whether much can be done of this without property acquisition. Consequently, we think this need may have to be addressed sometime in the distant future. We have provided maps that specify some potential recreation areas in the form of purple circles.

Within the Central portion of the Corridor, the only areas available to add outdoor play areas are on the Fairgrounds property or properties on or adjacent to Asbury. There should be some consideration of open play area/ball fields on the Fairgrounds. This option envisions an open play area of between 1 and 2 acres per recommended guidelines. Within the Northern portion, areas along Watkins Mill Road in and around the Spectrum development are potential sites to fulfill the need for additional planned recreational space.

How much fiscal benefit and when these benefits occur is difficult to know – there is in this instance an element of ‘build it and they will come’. The fact of the matter is that successful, fiscally viable communities offer precisely the items discussed above – safe pedestrian and bicyclist experiences, recreational space and gathering places. It is hard to imagine that a community that lacked these characteristics could remain vibrant over the course of the next decade-plus.

Summarizing the Elements of Recommendation 2

Many improvements need to occur along the Frederick Avenue Corridor in order to create memorable places and spaces, positive driving, biking, and walking experiences, and better economic and fiscal outcomes. The study team notes the following:

- Above-ground utilities prevent the addition of large street trees. They also create vertical obstacles to pedestrians and keep the Corridor from having neatly arranged safety and pedestrian zones;
- Street trees with high spreading canopies need to be planted;
- Safety zones need to be created to buffer pedestrians and bikers from auto lanes;
- Sidewalks need to be rebuilt to create adequate safety zones and to allow for unobstructed routing for pedestrians and/or bikers on bike trails;
- Every opportunity that does not involve eminent domain should be taken to add open play and gathering spaces – there will be few such opportunities though the study team has identified a handful;
- Lighting needs to be designed to give the Corridor a sense of safety and comfort at night. This is an absolute necessity if the Corridor hopes to attract fine dining.

3. Upscale the Corridor's Commercial/Retail Offerings

The study team proposes the following public policies:

- Offer tax credits equal to one-half of an annual tax bill for three years unless the qualifying business ceases to exist during that period to developers and property owners who are able to attract a high caliber of retailers or restaurants.
- Cap the annual value of all property tax credits at \$250,000 annum.

A Corridor that is greener, safer, more attractive and associated with higher incomes than presently prevail should be able to attract higher end retail and restaurant offerings. However, given the expense of investments in bike trails, secondary streets, the acquisition of easements, undergrounding utilities and development of planned open space, positioning will take many years to complete even if some of the study team's financing recommendations are adopted. This is a long-term process, but accelerated progress is possible.

To accelerate the attraction of higher-end retail and restaurant offerings, which represents a void in the Corridor according to our market study, tax credits should be offered to developers and property owners who are able to attract a high caliber of retailers or restaurants. Initially, we have in mind family restaurants such as Applebee's or Cheesecake Factory. We understand that these chains are not considered upscale, but the addition of these amenities would still represent a step in the right direction.

Alternatively, the City could appeal to start-up, locally-owned entrepreneurial restaurants associated with a certain level of menu prices, perhaps in the range of \$30 per person per meal. That would give the Corridor a more unique character. Given the area's demographics, we think it likely that many of the homegrown restaurants would be ethnic in nature, which would be just fine. The study team's hesitation comes for the question of whether trying to attract homegrown restaurants is too ambitious and would therefore leave the Corridor unimproved along this dimension. The same considerations pertain to retailers. *Sarasota Magazine* lists the nation's top 100 luxury retailers. The attraction of a retailer on this list could allow a developer or property owner to receive a tax break.

This upscaling process is so important that we propose that the attraction of a qualified restaurant or retailer would trigger a tax credit equal to one-half of an annual tax bill for three years unless the qualifying business ceases to exist during that period. There is nothing magical or sacred about this proposal. The provision of such a tax incentive sends a message to stakeholders in the Corridor that the City is actively working to upscale the Corridor. That provision in and of itself should create some positive buzz and development momentum.

Note that this category of recommendations is very much in keeping with the ideas embodied in categories 1 and 2. The higher incomes associated with expanded homeownership in the Corridor discussed in Category 1 would help attract higher end retailers and restaurants. The aesthetics and recreational opportunities created by faithful implementation of the ideas presented under category 2 would create a physical environment consistent with the presence of luxury retail. The fiscal impact of adopting such a recommendation is difficult to know, but we recommend capping the annual value of all property tax credits at \$250,000 annum.

4. Create an Environment Suitable for a Signature Office Building to be attracted to the Corridor

The study team proposes the following public policies:

- Relax APFO traffic restrictions to attract an ambitious developer.
- Aggregate smaller parcels to support construction of a signature building.
- Make policy and financial accommodations to endorse the Bus Rapid Transit (BRT) system.

There are many development constraints on the Corridor, including a relative dearth of available developable land, APFO restrictions, lack of high-end appeal, competition with other emerging commercial centers in and out of Gaithersburg and Montgomery County, and falling median household incomes. Still, the Corridor presently represents 51 percent of citywide retail space and 17 percent of citywide office space. By 2030, the study team estimates that these proportions will have declined to 36 percent and 12 percent, respectively. In short, the Corridor is positioned to lag behind other parts of the city. Moreover, the Corridor is presently heavily laden with Class B office space. More upscale opportunities are desirable.

These considerations form the motivation for this category of recommendations. The study team has concluded that the Corridor desperately needs the addition of Class A office space in the form of signature buildings that are rich in architecture and help shift perceptions of the area. This won't happen overnight and cannot happen in the absence of implementation of at least portions of categories 1-3.

But there is more to be done. The City must allow for a taller building, up to perhaps 15 stories or more in the Corridor. There are a number of goals that are sought to be achieved through this recommendation, including the attraction of prestigious employers, an architectural symbol of the Corridor's renaissance, and additional daytime population to support area retailers and restaurants.

To allow this to occur, the City must also be willing to relax APFO restrictions and perhaps parking restrictions to attract an ambitious developer. Above all, the City must aggregate enough smaller parcels to support the construction of such a signature building. Note that it will be sometime before this option is relevant given market conditions. At this time, there's really nothing the City can or should do to implement this idea. For instance, use of eminent domain to push this agenda should be utterly rejected at this time. There should also be no attempt to incentivize users of Class B space to move. It may also be the case that a signature building will not work in the absence of a proposed BRT system, which would help alleviate parking concerns and better induce a developer to commit significant investment capital to the Corridor.

That said, the City must have a ready response in place should one of these properties become available for redevelopment. This is particularly true if a BRT system were to become a reality. The County has been contemplating development of this system for the past several years. The economic implications of such a system would be massive and would reduce traffic and increase inter-county connectivity. The current proposed project layout includes several BRT stops located in the Corridor's median. The stops would represent significant opportunities for transit oriented redevelopment. It may be that the BRT recommendation is only of relevance or interest if BRT becomes a reality. Areas around future stops would emerge as natural candidates for the provision of an architecturally ambitious signature Class A office building in the Corridor.

Since Bus Rapid Transit is considered a game changer for the Corridor, the City should make accommodations to support it, including potentially through direct funding, recommendations regarding right-of-way and number of travel lane adjustments per County study recommendations. We offer this as a sub-recommendation. The level of financial support that the City should be prepared to deliver is in part a function of what other communities are willing to contribute, which is unknown to the study team presently.

5. Sequence Corridor Capital Investment in the Most Logical Manner Possible

- In the short-term, invest in initiatives that require less property owner participation and little need for property acquisition. This group of short-term, impactful investments includes: undergrounding utilities, adding street trees, providing high quality street lighting, developing certain planned portions of the bike trail, upgrading and widening sidewalks, providing pedestrian safety zones, deflecting multifamily rental development and inducing attraction of upscale retailers and restaurants.
- Second wave investments include acquiring easements to support shared parking, eliminating curb cuts as shared parking arrangements are completed, adding gathering spaces, and providing secondary street systems.

Going forward, the City will remain highly constrained in terms of what it can invest in the Corridor even if the study team's suggestion of a special benefits/taxing district is adopted. One implication of this is that the sequence of investments to be made must be logically organized from public policy perspectives. The study team believes that the first set of investments made should be to enhance public safety. This is the most basic element of successful economic outcomes. The focus groups we held several months ago made it clear that many property owners have become deeply concerned about the Corridor's perceived safety. The promotion of public safety through better lighting and improved sidewalks therefore represents the place to begin implementation. City finances and the decisions of policymakers will shape the timeline, but we believe that most of these investments can be financed and completed within five years.

The next wave of implementable ideas will be associated with more intense property owner involvement and therefore are likely to be more expensive to implement. It is at this point that the City acquires easements, creates greater levels of shared parking, aggressively eliminates curb cuts, completes additional bike path sections and perhaps acquires land to fulfill various objectives, including in order to pave the way for the development of a signature office space, provide additional gathering spaces or create more ambitious opportunities for infill commercial or residential development.

A Discussion of the Timing of Benefits and Costs

This section is dedicated to helping the City understand the nature of the timing of benefits and costs. As will be seen, the costs are generally upfront, the benefits garnered in the near-term. It is for this reason that a new funding mechanism is required. To be clear, the short-term refers to the next five years; the intermediate term to the five years beyond that; and the long-term to a period ten years out and beyond.

Category 1. Adopt an Owner-Occupied Development Policy

In the short-term, the costs of implementing such a policy are moderate. There is an opportunity cost involved since there would be a certain number of multi-family rental developments that will not take place, which will cause the City's tax base to be smaller than it otherwise would be. However, this also means that new residents who would have lived in these units will not require City services. It may be in fact that such a policy will prove a net fiscal benefit.

The opportunity cost of not permitting multi-family rental development then shrinks since single-family, owner-occupied development accelerates. In the long-run, we expect the economic and fiscal benefits to be very high since the new households will pay higher property taxes per household and may or may not require a significant volume of City services.

Category 2. Beautify the Corridor Now!

In the beginning, the benefits of such a policy are small. A critical mass of improvement is required before there is a material acceleration in private investment. The costs of burying utilities, providing a tree canopy, bike paths, better street lighting, inducing property owner involvement, building secondary street systems, supplying open space, etc. is high across all periods. Indeed, the cost could be described as "very high" if the City choose to accelerate its investments.

After a decade or more of investment, we believe that the benefits of such investments will be very high. As pointed out in the body of the recommendations section, policymakers should benchmark the costs of these investments against the potential costs of accelerating decline in the Corridor.

Category 3. Upscale the Corridor's Commercial/Retail Offerings

The cost of implementing this recommendation is limited to the subsidies/tax breaks offered to developers and property owners able to attract high-end retail and restaurant amenities. In the body of the report, we indicate that the total amount of tax breaks available each fiscal year can and should be capped at \$250,000. The cost of implementation is therefore quite low across all periods.

Benefits in the near-term may be quite small as high-end retailers may not be easily attracted to the Corridor given its current physical condition and demographic characteristics. But the benefits of upscaling the Corridor's commercial/retail offerings should be apparent after a decade or so of effort.

Category 4. Create an Environment Suitable for a Signature Office Building to be attracted to the Corridor

The timing of benefits is very similar to those characterizing recommendation 3. Frankly, we do not anticipate any developers offering to develop a signature office building in the short-term or perhaps even over the intermediate-term. But such a project is likely in the long-term, particularly with faithful implementation of the study team's recommendations.

Category 5. Sequence Corridor Capital Investment in the Most Logical Manner Possible

We have tried to be realistic about the City's budgetary constraints throughout the report. Much of our sequencing logic is in fact driven by fiscal conditions as opposed to any desire for rapid transformation of the Corridor. That said, as the next and final part of this consultant report indicates, the costs are still significant -- but so too are the benefits of attracting greater levels of private investment and stemming the perceived decline of Gaithersburg's historic commercial corridor.

The matrix below summarizes certain aspects of the discussion immediately above.

Category/ Benefit or Cost for: Short-, Intermediate and Long-Terms	BENEFIT			COST		
	Short-Term	Inter. Term	Long-Term	Short-Term	Inter. Term	Long-Term
Category 1: <i>Adopt an Owner Occupancy Only Development Policy Within the Corridor</i>	Very Low	Moderate	Extremely High	Moderate	Low	Very Low
Category 2: <i>Beautify the Corridor Now!</i>	Low	Moderate	Extremely High	High	High	High
Category 3: <i>Upscale the Corridor's Commercial/Retail Offerings</i>	Low	Moderate	High/ Extremely High	Low/ Moderate	Low/ Moderate	Negligible
Category 4: <i>Create an Environment Suitable for a Signature Office Building to be Attracted to the Corridor</i>	Low	Probably Low	Extremely High	High	High	Very High (potential land acquisition)
Category 5: <i>Sequence Corridor Capital Investment in the Most Logical Manner Possible</i>	Moderate	High	Extremely High	Moderate	High	Very High

Short-term = next 5 years; Intermediate term = 5-10 years; Long term = beyond that